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CERTIFIED MAIL

Dear Applicant:

We have completed our review of your application for recognition of exemption from federal income tax under section 501(c)(6) of the Internal Revenue Code and have determined you do not qualify under that section. Our reasons for this decision are cited below.

The evidence submitted indicates that you were formed to promote and further the interest of operators of the State of the

Your activities, as stated in your application, include maximizing the use of advertising dollars expended by members in any effort to promote the interest of

Membership in the organization is limited only to each person, entity or group of persons or entities that have executed one or more Franchise Agreements for in the Area of Dominant Influence and your activities are designed to serve the common business interests of the restaurant industry overall. Your activities are to promote and further the

restaurant industry overall. Your activities are to promote and further interests of operators of through television advertising and promotion.

Income to your organization will be from membership assessments and interest income. All funds received from members will be used to purchase advertisements to support the market and related administrative expenses.

Section 501(c)(6) of the Internal Revenue Code provides for the exemption from Federal income tax of business leagues, chambers of commerce, real estate boards, boards of trade and professional football leagues (whether or not administering a pension fund for football players), which are not organized for profit and no part of the net earnings of which incres to the benefit of any private shareholder or individual.

Income trx regulation 1.501(c)(6)-1 states that the activities of a business league "should be directed to the improvement of business conditions in one or more lines of business." A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chirected to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

In <u>National Muffler Dealers Association</u>, Inc. v. U.S. 440 U.S. 472 (1978) a trade association confined its membership to dealers franchised by a particular company and its activities to the business of that company. In this case, the court ruled that the organization was not entitled to exemption under section 501(c)(6) since its activities and membership does not serve the industry as a whole but only a segment of a line of business.

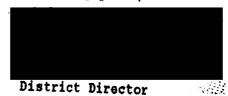
Our review of the application filed by your organization indicates that you are not entitled to exemption under section 501(c)(6) since your membership is members of the restaurant industry as a whole from within the community. Under this type of operation, your organization does not meet the requirement that your activities improve conditions in one or more lines of business and members of your organization.

Based on the information submitted, we have determined that you are not entitled to exempt status under section 501(c)(6) and are a taxable entity. You are required to file federal income tax returns on Form 1120.

If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this, you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law, and any other information to support your position. If you want a hearing, please request it when your file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or, if you request, at any mutually convenient district office. If you will be represented by someone who is not one of your information authorization with us.

If you do not appeal this determination within 30 days of the date of this letter, as explained in the enclosed Publication 892, this letter will become our final determination on this matter.

Sincerely yours,



Enclosure: Publication 892